

VZCZCXRO3755
OO RUEHCHI RUEHCN RUEHDT RUEHHM
DE RUEHJA #0014/01 0030929

ZNY CCCCC ZZH
O 030929Z JAN 08
FM AMEMBASSY JAKARTA

TO RUEHC/SECSTATE WASHDC IMMEDIATE 7548
INFO RUEHZS/ASSOCIATION OF SOUTHEAST ASIAN NATIONS PRIORITY
RUEHBJ/AMEMBASSY BEIJING 4618
RUEHBY/AMEMBASSY CANBERRA 1836
RUEHPB/AMEMBASSY PORT MORESBY 3613
RUEHKO/AMEMBASSY TOKYO 1381
RUEHWL/AMEMBASSY WELLINGTON 2215
RHHJJPI/USPACOM HONOLULU HI
RUEAIIA/CIA WASHDC
RHEHNSC/NSC WASHDC

C O N F I D E N T I A L SECTION 01 OF 02 JAKARTA 000014

SIPDIS

SIPDIS

DEPT FOR EAP, EAP/MTS, EAP/MLS, E
INR FOR CHARLIE ZENZIE
NSC FOR EPHU

E.O. 12958: DECL: 01/03/2018

TAGS: [PGOV](#) [ECON](#) [ID](#)

SUBJECT: OPPOSITION PARTY MAKES GAINS WITH POPULIST APPEALS

REF: JAKARTA 00009

JAKARTA 00000014 001.2 OF 002

Classified By: Pol/C Joseph Legend Novak, reasons 1.4 (b+d).

¶1. (C) SUMMARY: Former president Megawati's Indonesian Democratic Party-Struggle (PDI-P) is campaigning on a "People's Economy" platform, which emphasizes "pro-poor" policies. The party has also taken a stand against reforms that aim to improve the business climate for foreign investors. The party's recent uptick in the polls suggests that the PDI-P platform continues to have broad public appeal, although its popularity does not seem to be redounding to Megawati and her presidential campaign's credit. END SUMMARY.

"PRO-POOR" APPEALS

¶2. (SBU) PDI-P's economic platform is based on the idea of a "People's Economy," a vaguely leftist, populist perspective that emphasizes the economic protection of Indonesia's "most vulnerable citizens." The "People's Economy" concept traces back to Sukarno--Indonesia's charismatic first president, and the father of PDI-P leader and former president Megawati Sukarnoputri--and it retains considerable weight among the party leadership and rank and file. PDI-P frequently uses the "People's Economy" concept to criticize government policies that are characterized as benefiting big-time capitalists rather than small entrepreneurs and farmers.

¶3. (SBU) In local elections and in preparation for the 2009 national elections, the PDI-P has highlighted its defense of urban squatters and small landholders (see reftel). For example, PDI-P opposed the Yudhoyono administration's plans to create a special economic zone in Batam on the grounds that it left locals at the whim of the "land mafia"--local thugs who clear out squatters or intimidate landholders into selling their stakes at low prices. The party has also recently defended small vendors who were evicted from their stalls in Jakarta after a new land-use policy was implemented. The party has also demanded that the GOI adopt policies that create jobs, asserting that little is being done to fix the unemployment and underemployment problems.

SKEPTICAL OF FOREIGN INVESTMENT

¶4. (SBU) The "People's Economy" platform also includes a strong dose of protectionism and PDI-P politicians regularly decry pro-foreign investment reforms. A PDI-P legislator on the national legislature's privatization commission criticized the administration's investment law which was passed last year because of what he characterized as its possible negative implications for small, labor-intensive businesses. He also asserted that there was insufficient attention paid to protecting certain domestic industries from international competition.

¶5. (SBU) In outlining the party's economic platform, a PDI-P member of the legislative commission on finance and banking emphasized the autarkic aspects of the "People's Economy," saying that national development should focus on building Indonesian industrial and commercial capabilities before accepting large amounts of foreign investment. Such themes build on the widespread suspicion of global capitalism generated by the country's experience in the Asian Financial Crisis of the late 1990's and with colonialism.

GAINING TRACTION

¶6. (C) The PDI-P seems to be gaining some traction with the public based on its appeals. Recent polling shows the party steadily picking up support at the expense of the governing Democratic Party and Golkar, the largest party. For example, the PDI-P has gone up from 13 percent support in a 2006 poll to 20 percent in a recent poll (a considerable amount given Indonesia's fractured political landscape).

¶7. (C) In anecdotal comments, observers have also noted that the party is doing well across Java (the most populous island), especially with lower middle class and lower income

JAKARTA 00000014 002.2 OF 002

voters who feel squeezed by rising prices and unemployment and underemployment. Saiful Mujani, an observer of the political scene, recently told Pol/C that the party still had a long way to go in getting over prior electoral failures. He noted, however, that it was on the upswing now, with articulate leaders enunciating a consistent policy line. (Note: Party leaders such as Emir Moies, who chairs the legislature's powerful budget committee, and Tjahjo Kumolo, who leads the party's bloc in the legislature, have emerged as key PDI-P critics of the administration's policies. Rising stars in the party, such as Maraurar Sirait, have also been effective advocates for the party's economic platform.)

WHERE TO GO FROM HERE?

¶8. (C) PDI-P is clearly gaining steam from its increasingly clear economic message. In what will be a long campaign until elections take place in mid-2009, however, the party will be challenged to match its criticism of the government with a credible program of economic policies that it would enact if victorious. That said, the party's message of change and its attention to the most economically vulnerable Indonesians may be enough to convince voters to swing PDI-P's way. As the campaign wears on, the disconnect between PDI-P's electoral fortunes and Megawati's slim chances in a head-to-head match-up with Yudhoyono may become more pronounced. Few observers believe that Megawati's lackluster style will regain her the president's office.

HUME